

1.0 Department of Financial Institutions

Summary

The Department of Financial Institutions regulates the deposit taking state chartered institutions in the State of Utah. This includes banks and credit unions. The assets of these regulated businesses have grown in recent years. The Year 2000 challenge will have a significant impact on this industry.

Funding for the Department is from a General Fund Restricted Account for Financial Institutions. Fees are collected on assets and for examinations (UCA 7-1-401,402, 403). These funds are used solely for the regulation of financial institutions. Funds remaining at the end of the year lapse back to the restricted account.

The 1998 Legislature authorized the Department to examine the use of capital leasing for computer equipment. The Department has purchased new laptop computers as the lowest cost alternative to upgrade their technology.

Department Mission Statement

The mission of the Department of Financial Institutions is to charter and supervise persons, firms, corporations, associations, and other business entities furnishing financial services to the people of the state of Utah.

In the case of depository institutions, the statutory charge is to charter, regulate, supervise and safeguard the interest of shareholders, members, depositors, and borrowers, through on site examinations and remedial action orders. The primary activity of the department is the examination of supervised depository institutions to determine their financial strength and solvency.

In the case of persons or entities that provide financial services to the public, the statutory requirement is that credit terms extended to consumers in the State of Utah are lawful and easily understood.

Utah Tomorrow

The Department of Financial Institutions has been involved with Utah Tomorrow since its inception. Benchmarks have been established in the areas of Free Enterprise and Regulatory Systems and Economic Development. The Department of Financial Institutions contributes to the State business climate and the free enterprise opportunities for growth and expansion within the State.

Financial Summary

	FY 1999	FY 2000	
Financing	Estimated	Analyst	Difference
GFR-Financial Institutions	\$2,832,800	\$2,693,300	(\$139,500)
Beginning Nonlapsing	37,700	0	(37,700)
Lapsing	(37,700)	0	37,700
Total	\$2,832,800	\$2,693,300	(\$139,500)
Programs			
Administration	\$2,742,000	\$2,672,000	(\$70,000)
Building Rent	90,800	90,800	
Building Blocks	0	(69,500)	(69,500)
Total	\$2,832,800	\$2,693,300	(\$139,500)
Standard FTE	38.50	38.50	0.0
Expansion FTE	0.00	0.00	0.0

2.0 Budget Highlights: Financial Institutions

2.1 Reduced Funding Need The Department of Financial Institutions has a dedicated source of revenue coming from fees approved by the Legislature. These funds are deposited into a General Fund restricted account identified for the Department. All allocations of funds to the Department must be appropriated by the Legislature. Unexpended funds at the end of the year automatically lapse back into the Restricted General Fund Account for the Department of Financial Institutions.

Efficiency improvements within the Department have reduced the funding needs for FY 2000. The Analyst recommends a base reduction of \$69,500 for FY 2000. The financial needs of the Department are met within the total appropriation, including addressing the Y2K challenges.

	FY 2000 Analyst
One-Time Funding	
GFR - Financial Institutions	(\$69,500)
Ongoing Funding	
GFR- Financial Institutions	(\$69,500)

3.1 Programs: Financial Institutions - Administration**Recommendation**

The Analyst recommends funding of \$2,672,000 General Fund Restricted - Financial Institutions. This funding is for all Department personnel and operations. A negative building block reduces this budget by \$69,500. The \$70,000 reduction reflects the change eliminating a one-time appropriation for FY 1999.

Financial Summary

	FY 1998	FY 1999	FY 2000	
Financing	Actual	Estimated	Analyst	Difference
GFR-Financial Institutions	\$2,412,500	\$2,742,000	\$2,672,000	(\$70,000)
Beginning Nonlapsing		37,700		(37,700)
Closing Nonlapsing	(37,700)			0
Lapsing		(37,700)		37,700
Total	\$2,374,800	\$2,742,000	\$2,672,000	(\$70,000)
% Change		15.5%	(2.6%)	
Expenditures				
Personal Services	\$2,046,100	\$2,257,200	\$2,294,000	\$36,800
Travel	108,700	117,600	119,200	1,600
Current Expense	148,700	155,200	208,400	53,200
Data Processing	32,800	50,600	50,400	(200)
DP Capital	16,300	150,000		(150,000)
Other/Pass Through	22,200	11,400		(11,400)
Total	\$2,374,800	\$2,742,000	\$2,672,000	(\$70,000)
% Change		15.5%	(2.6%)	
Standard FTE	38.50	38.50	38.50	0.00
Enhancement FTE				0.00

Summary

The Department of Financial Institutions regulates 25 banks, 99 credit unions, 19 industrial loan companies and one savings and loan. This totals 144 institutions. The Department includes 39 personnel.

Two primary Department goals are: 1) to do the number of examinations required to maintain the health of the State-chartered banking and credit union systems in Utah; and 2) to be accredited by the financial institution peers in the new interstate banking environment.

Department Revenue

The Department has a restricted General Fund Account into which all fees are deposited as they are collected. Because a large fund balance was building, a fee reduction enacted by the Legislature went into effect during FY 1998. It is estimated that revenue will continue to grow as both assets and the number of financial institutions are expected to increase. Projections indicate continued growth in assets and institutions which should increase the fund for future budgets. All unused funds from the Department lapse back into the restricted account.

Financial Institutions General Fund Restricted Revenue Collections	
FY 1995 actual	\$1,951,479
FY 1996 actual	2,156,990
FY 1997 actual	2,444,899
FY 1998 actual	2,321,554
FY 1999 estimated	2,408,000
FY 2000 projected	2,520,000

Examiner Expenses

The Analyst recommends a base funding reduction of \$69,500 General Fund Restricted - Financial Institutions. Revenue is generated by the Department and used for the regulation of the financial institutions chartered by the State.

	FY 2000 Analyst
Ongoing Funding	
GFR - Financial Institutions	(\$69,500)

Performance Measures

The Department of Financial Institutions has established a series of performance measures and tracking items. The following items are a partial listing to indicate Department activity.

Examinations	FY 1996	FY 1997	FY 1998
Safety and Soundness			
Banks/ILC/S&Ls	25	32	28
Credit Unions	94	85	91
Specialty			
All Types	7	3	6
Year 2000	0	0	80
Compliance	0	0	1
Assets in Financial Institutions under Department Jurisdiction	\$11.6 B	\$20.7 B	\$21.0 B

The additional types of examinations that must be done are listed above. Increased revenue is expected due to the growth in the number of institutions and their assets.

3.2 Programs: Financial Institutions - Office Lease**Recommendation**

The Analyst recommends funding of \$90,800. This continues the lease at the same rate as FY 1999. Funding is from the General Fund Restricted Account for Financial Institutions.

Financial Summary

	FY 1998	FY 1999	FY 2000	
Financing	Actual	Estimated	Analyst	Difference
GFR-Financial Institutions	\$90,800	\$90,800	\$90,800	\$0
Lapsing	(10,200)			0
Total	\$80,600	\$90,800	\$90,800	\$0
% Change		12.7%	0.0%	(100.0%)
Expenditures				
Current Expense	\$80,600	\$90,800	\$90,800	\$0
Total	\$80,600	\$90,800	\$90,800	\$0
% Change		12.7%	0.0%	

Summary

The Department of Financial Institutions is located at 324 South State Street on the second floor. This prime Salt Lake City office space is located in an area of escalating lease expenses. The parking garage is currently being completely rebuilt.

The current lease was negotiated four years ago and expires in 2005. The rate is \$11.75 per square foot with no escalation clause. Other agencies that have had to renew their leases are considering moving. The Department's lease is well within the acceptable range established by the Division of Facilities and Construction Management (DFCM).

Performance Measures

No performance measures for this area.

4.0 Tables: Department of Financial Institutions

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Programs	Actual	Actual	Actual	Estimated	Analyst
Administration	\$1,905,100	\$2,056,600	\$2,374,800	\$2,742,000	\$2,672,000
Building Rent	77,900	79,700	80,600	90,800	90,800
Building Blocks					(69,500)
Total	\$1,983,000	\$2,136,300	\$2,455,400	\$2,832,800	\$2,693,300
% Change	8.0%	7.7%	14.9%	15.4%	(4.9%)

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Financing	Actual	Actual	Actual	Estimated	Analyst
GFR-Financial Institutions	\$2,106,900	\$2,152,500	\$2,503,300	\$2,832,800	\$2,693,300
Beginning Nonlapsing			0	37,700	0
Closing Nonlapsing			(37,700)	0	0
Lapsing	(123,900)	(16,200)	(10,200)	(37,700)	0
Total	\$1,983,000	\$2,136,300	\$2,455,400	\$2,832,800	\$2,693,300
% Change	8.0%	7.7%	14.9%	15.4%	(4.9%)

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Expenditures	Actual	Actual	Actual	Estimated	Analyst
Personal Services	\$1,665,100	\$1,797,200	\$2,046,100	\$2,257,200	\$2,294,000
Travel	79,900	88,700	108,700	117,600	119,200
Current Expense	198,000	199,000	229,300	246,000	229,700
Data Processing	40,000	34,100	32,800	50,600	50,400
DP Capital		5,200	16,300	150,000	0
Capital Outlay		12,100	22,200	11,400	0
Total	\$1,983,000	\$2,136,300	\$2,455,400	\$2,832,800	\$2,693,300
% Change	8.0%	0.0%	14.9%	15.4%	(4.9%)
Standard FTE	33.50	38.50	38.50	38.50	38.50